

Money Basics

Tuesday, November 17, 2009
8:53 AM

Five years, 10 years, 15 years from now what kind of life do you want?

Objective: To connect past learning experiences to the upcoming topic, Money.

Language Objective: Lifestyle, taxes, checking, savings, buying a home, a car and much more.

(videos and visuals, like their poster will be used throughout)

Resources:

<http://www.Bankrate.com>

Introduction (Think about it, Discuss it):

Do you think you will be rich one day? How do you think people get rich? What motivates you to be prosperous? What is the most likely way for a person to get rich?

<http://www.bankrate.com/finance/financial-literacy/do-you-think-you-will-be-rich-one-day-1.aspx>
(link to the article I read that inspired these questions)

Looking at your five year goal posters, will you have the income to support that lifestyle? What is going to keep you inspired to making these dreams a reality?

YourTask Title	Point Value	Estimated Time	Description
Fine tuning goals	10	30 min.	Read the article below, relate it to your goals-poster and to your dreams - use my highlights as a guide.
Career and Skills	30	Homework	Ask a dozen people what they think your greatest skills are, write them down and show them to me for credit.

Highlights Key

Yellow - main topic

Green - examples and explanations

Red (pink) - details

Light Blue - to come...

The Basics

To save big, dream bigger

Imagination is the key to setting goals that will motivate you to make small sacrifices today for the dreams of tomorrow.

By [Mary Rowland](#)

When he was 31, George Kinder fulfilled a longtime dream of vacationing on Maui. For him, the Hawaiian rain forests were even more spectacular than he'd imagined. So he set a new goal that was to drive his financial planning for the next decade: To spend a good chunk of each year in Hawaii.

It helped that Kinder is a certified public accountant and a financial planner. He saved his money and stretched out his annual Hawaiian vacations each year so that he was spending three, then four, then six weeks of the winter on Maui.

Taking the plunge

In 1991, when he was 43, Kinder made his big move. He decided to spend May through October in Cambridge, Mass., where he has an established practice, and November through April in Hawaii, where he would set up a second practice.

We could all learn a lesson from Kinder. How many times have you read that you should tuck away 10% of your money in a savings account? But to what end? If you view saving simply as the opposite of spending, how could you commit to it? Its punitive rather than rewarding.

To save, you need a goal. Setting goals is both the heart of financial planning and its most difficult task. It requires that you really stretch your mind and think about how you could create a life that's fulfilling. Look inside yourself and reach for your dreams. That is tough stuff.

"It's much easier to focus on short-term crises and to solve immediate problems," says Stanley H. Breitbard, a financial planner in Los Angeles. "Defining your dreams is the hardest thing to do in life."

Teaching others to do the same

As for Kinder, he says that a couple of years of living the life he chose for himself have changed his approach to planning. Rather than harping on the virtues of saving for its own sake, he now sees his job as helping clients realize their dreams.

This is one of the questions he asks every new client: "If you died tomorrow, what would you most regret not having done?" He urges clients to think in broad terms about what freedom means to them and how they might accomplish it.

Here are six areas to think about:

1. **Family.** What kind of family life do you want? Do you want children? How many? How much and what kind of time do you want to spend with your family?
2. **Home.** Where do you want to live? What's most important to you in a home -- size, outdoor space, beach, mountains, city, nearby theaters, sports, a garden, a pool?
3. **Education.** What do you want to learn about? What do you need to learn about? Make a list of skills that will help you in your job and a list of things that will enrich your life.
4. **Career.** Most people say they set out to have one career and then, by happenstance, ended up in something entirely different. It's important to be flexible. But what is it that you most like to do? What do you do best? Ask a dozen people what they consider your most important skills. Think about how you might weave those skills into your career.
5. **Transitions.** We read all the time about how Americans don't save enough for retirement. But most Americans working today won't stop working in the way today's retirees did. Instead, they'll face a transition from one type of work to another.

Younger people face transitions, too, when they have children or when a job disappears. Plan for these transitions. If you dream of having your own business, focus on how you might accomplish it.

6. **Risks.** Being risk averse is a luxury no one can afford in today's world. Life is about risks. Taking them on forces you to stretch out and think about yourself in a new way.

Consider Roseann Sheridan, owner of Sheridan Research, a marketing firm in New York, and a former actress who had not been on the stage for 15 years. A couple of years ago, Sheridan decided to turn away some of her clients to gain enough free time to write and perform a one-woman show because she felt she had lost something of herself over the years.

Although she didn't regret giving up acting to create a more stable home and financial life, all of a sudden I was doing something I hadn't really chosen to do," Sheridan said. I ended up sidestepping my dream."

Her show's first three-day run resulted in several additional engagements and an award from the National Endowment for the Arts.

See yourself meeting your goal

Once you've identified your dreams, visualize yourself in them to help provide discipline for saving.

Katharine McGee, a financial planner in Davenport, Ind., likens it to taking a vacation. When you begin to talk about your vacation, when you get the travel literature and read about the places you will go and the things you will do, that's when you visualize your goal and it becomes real to you."

And that's when it stops hurting to save money.

McGee suggests to clients that they use the same process with saving. You have to be saving your money for something you can visualize," McGee says. If it's a new house, begin to draw up plans for what it will look like. You might even put up pictures of your dreams on your refrigerator."

Follow through on your dream

Of course, once you've set the goal, you have to actually do it. First, you have to determine how much money you're going to need and how long you plan to save for it. If it's for your dream vacation, it may only take a year or two. If it's for a new home or car, it may take five years or more. And if it's so your children can attend college or so you can spend your retirement years with Kinder in Maui, it may take 20 years or longer.

Sit down with your personal financial management program or with a pad and paper and sketch out what it will take. Consider the types of interest rates you might receive, depending on how you save. If it's in a passbook savings account, assume a very low rate of return. You might consider certificates of deposit or money-market accounts that offer higher yields but are still safe -- and often government-backed -- investments.

A painless way to save

The longer you plan to save for your goal, the more able you'll be to save with higher-yielding but riskier types of investments. If you have only a very small amount of money, start with a savings account that doesn't require a minimum investment. Or you might try investing in mutual funds that allow you to invest a small sum, say \$50 or \$100 a month. And if you plan on saving for several years, jump into the stock market once your funds have grown, picking a portfolio of mutual funds that meet your needs.

Either way, you must discipline yourself to set that money aside each month, week or quarter.

Then enjoy the benefits of your efforts.